- A directive was issued on January 23, 2006, prohibiting the banks from crediting 'account payee' cheques to account of any person other than the payee named therein.
- All scheduled commercial banks, excluding RRBs, were advised to take a review of IPO financing and related matters, like opening of multiple accounts, adherence to Know Your Customer (KYC)/ Anti Money Laundering (AML) guidelines, and RBI instructions on IPO financing, advances against shares, etc. and put up a report on the findings before their Audit Committees under advice to RBI.
- Special examination of the internal control systems of the banks concerned was undertaken and the deficiencies revealed by the examination were brought to the notice of these banks specifically, for necessary corrective action and the same is closely monitored. Further, a Circular incorporating the deficiencies observed in the internal control system in these banks was issued to all banks (excluding RRBs) for taking appropriate action under oversight by the respective bank's Audit Committees and the Board of Directors.

SEBI's caution against funds invested from Mauritius

2906. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that SEBI has cautioned against acquisition of controlling stakes in several Indian companies in the secondary market by funds invested from Mauritius;

(b) if so, the details thereof indicating rationale behind the note of caution sounded by SEBI;

(c) the steps taken, if any, by Government to address the same;

(d) whether the National Security Council had earlier cautioned about the FDI flowing in from tax havens *viz.*, Mauritius, Cyprus, Cayman Island etc.; and

(e) the details thereof indicating the measures evolved/introduced, if any, to safeguard the market and the national security?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) The Department of Industrial Policy and Promotion has received a letter from SEBI and is examining the same.

(d) and (e) Different agencies, including the National Security Council, have different responsibilities and hence different perspectives. Hence, they may have different opinions on certain issues. However, such differences are reconciled in the consultation process leading to policy decisions.

Fraud by financing company of Hyderabad

2907. SHRI GIREESH KUMAR SANGHI: Will the Minister of FINANCE be pleased to state:

(a) whether any matter of fraud committed recently by a large financing company of Hyderabad has been brought to Government's notice;

(b) if so, the details thereof;

(c) whether the company involved was operating in violation of the rules, regulations and guidelines of the RBI;

(d) if so, whether Government have ordered any inquiry to look into the matter and award suitable punishment to the defaulter company; and

(e) what action Government have taken to safeguard the interests of depositors of the company?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (e) Some complaints have been received against M/s Margardarshi Financiers, a Hyderabad based Hindu Undivided Family (HUF). It was alleged that the HUF had raised a huge sume of deposit from the public and had reported accumulated losses while engaging in business of non-banking financial activities. It was also alleged that it has infringed Section 45S of the Reserve Bank of India (RBI) Act, 1934 which prohibits partnership firms or any unincorporated body of individuals from accepting any deposits from the public unless it is from relatives.

RBI has reported that the unincorporated body has been advised not to accept any fresh deposits or renew matured deposits and to pay deposits